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NOV. 9 1956

MEMORANDUM FOR RECORD

SUBJECT: Sub-Contract Difficulties with MIT

1. Meeting with representatives from WDTR, BHO, LAC and the AFPR, LAC. Those in attendance were:

Mr. C. F. Hagenmaier	-	L&SD
Mr. W. V. Tyminski	-	L&SD
Mr. J. B. McChesnoy	-	L&SD
Mr. John H. McLaughlin	-	ACO - AFPR
Mr. Eugene Silberman	-	BHO - MCPTB
Major R. Rowland	-	BHO - MCPTB
Lt. Colonel R. E. Hogan	-	BHO - MCPTC
Major R. H. Cline	-	BHO - MCPTC
Lt. Colonel Quentin A. Riepe	-	WDD - WDTR
Lt. John C. Horther	-	WDD - WDTR

2. Subject Problem: Sub-Contract Difficulties with MIT

Statement: The Air Force will not pay "donations or gifts" to MIT on sub-contract status to L&SD in accordance with the AFPR's and the AFPI's. The "donation" is in the form of a higher "burden" cost (100%) to industrial customer in contrast to a 45% burden or overhead cost to the Air Force.

Status: Lockheed Missile Systems Division has asked the AFPR to approve MIT as a subcontractor, but has not presented a complete sub-contract proposal to the ACO. This is the reason the ACO has not forwarded the L&SD letter to the Project Office with comments.

3. The MIT has been agreed to by the Project Office, the BHO guidance procurement office, Colonel Dax's Office (ADTLG) an Independent R-W Study, and the L&SD as the preferred guidance and control contractor for WS 117L. This is based on:

a. The large amount of MIT designed equipment for WS 315A that can be made directly applicable to WS 117L use.

b. The availability of these systems from the A. C. Spark Plug Company, the fabricator and supplier of these 315A components.

c. The large amount of Air Force facilities provided MIT and A. C. Spark Plug that can be fully utilized in the WS 117L work.

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d. These systems will have had 27 IRAN flight tests prior to WS 117L receiving hardware from A. C. Spark Plug.

e. The accepted competence of the available MIT group to do the WS 117L work.

f. The long time (2 + years) effort of this group on the WS 117L problem under contract to WADC.

4. Recommendations: That, since MIT will not make a special case of the WS 117L problem and reduce their rates to L&SD for sub-contract purposes, the Air Force would like to pursue the following courses of action in the order of preference as they are presented:

a. Attempt to obtain a deviation from the ASPR and AFPI to allow the higher overhead rate on sub-contract. This will require special justification to show that this route will cost the Air Force less than if the second course of action were followed, which is:

b. Direct contract between the Air Force and MIT on an associate contractors basis, whereby the lower MIT overhead rate could be realized. Under this plan, the L&SD would have placed on them the responsibility of providing Technical Direction to the MIT product and its compatibility with the WS 117L system. This responsibility would be recognized in the MIT contract and would require Administrative and Technical Direction Meetings between L&SD - DTR - MIT - BKO.

c. Forget MIT and select an alternate sub from a competent group, including, NAA, Sperry, ANNA, etc.

5. Action agreed to:

a. L&SD will present to the ACO a complete (with costing) sub-contract proposal within three days so that he can accept or refer it for exception to the ASPR and AFPI.

b. L&SD will study the associate contract method for acceptability to the L&SD.

SIGNED

QUENTEN A. RIEPE
Lt. Colonel, USAF
WS 117L Office
Technical Operations

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